

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-01 H-02
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CTME-00 AID-05 SS-15 ITC-01 TRSE-00 ICA-20 SP-02
SOE-02 OMB-01 DOE-15 JUSE-00 AF-10 ARA-14 NEA-11
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FM AMEMBASSY TOKYO
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INFO AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY CANBERRA
USMISSION GENEVA
AMEMBASSY OTTAWA
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SUBJECT: JETRO SURVEY OF THE EFFECTS OF YEN APPRECIATION
ON JAPANESE EXPORTS

1. SUMMARY. A RECENT JETRO SURVEY OF THE EFFECTS OF
THE APPRECIATION OF THE YEN ON JAPANESE EXPORTS INDICATES
SOME PRODUCTS SUCH AS AUTOMOBILES, CAMERAS, MOTORCYCLES
AND AUDIO EQUIPMENT CONTINUE TO BE COMPETITIVE ON WORLD
MARKETS AT 220 YEN TO ONE DOLLAR. OTHERS, SUCH AS
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CHEMICALS, TEXTILES, SHIPS, SUNDRIES, POTTERY, AND
CERAMICS HAVE LOST COMPETITIVENESS AT THAT RATE. END
SUMMARY.

2. A RECENTLY RELEASED SURVEY BY THE JAPAN EXTERNAL
TRADE ORGANIZATION (JETRO) CONCERNING THE EFFECTS OF
THE APPRECIATION OF THE YEN CONCLUDES THAT AUTOMOBILES,

CAMERAS, MOTORCYCLES, AND AUDIO EQUIPMENT CONTINUE TO BE COMPETITIVE AT 220 YEN TO THE DOLLAR, BUT THAT BASIC MANUFACTURED PRODUCTS SUCH AS CHEMICALS ARE LOSING MARKETS. TEXTILES, SUNDRIES, SHIPS, AND POTTERY ARE SAID TO HAVE LOST ALMOST ALL COMPETITIVENESS.

3. CONSUMER ELECTRONICS AND AUTOMOBILES HAVE SURVIVED YEN APPRECIATION BECAUSE OF THEIR SOPHISTICATION, QUALITY AND NON-PRICE FEATURES, ESPECIALLY FOR HIGHER GRADE PRODUCTS. HOWEVER, MEDIUM AND LOW GRADE RADIOS AND CAR STEREO'S CANNOT BE SOLD AT HIGHER PRICES AND ARE NOT COMPETITIVE AT RATES HIGHER THAN 230 YEN TO THE DOLLAR. ELECTRONIC CALCULATORS AND COPIERS ARE BARELY COMPETITIVE AT 220 YEN TO THE DOLLAR.

4. IN ASIA AND OCEANIA, JAPANESE PRODUCTS HAVE BEEN LOSING OUT TO EXPORTS FROM OTHER SOURCES, EXCEPT FOR A FEW ITEMS SUCH AS AUTOMOBILES AND SOME STEEL PRODUCTS. MACHINE TOOLS, PUMPS, AND AGRICULTURAL MACHINERY, ONCE IMPORTED FROM JAPAN, NOW COME FROM SOUTH KOREA, TAIWAN, THE U.S., AND EUROPE. JAPANESE CONTRACTORS HAVE RECENTLY LOST A MAJOR BID IN THAILAND TO SUPPLY POWER TRANSMISSION CABLES. ALSO, WESTERN MANUFACTURERS OF BASIC PLASTIC MATERIALS ARE INCREASING SALES IN ASIA AND OCEANIA AT THE EXPENSE OF JAPANESE SUPPLIERS.

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5. IN THE MIDDLE EAST, JAPANESE EXPORTERS ARE FINDING IT DIFFICULT TO COMPETE WITH EUROPEAN COMPETITORS WITHOUT OFFERING "EXTRAS" SUCH AS SOPHISTICATED TECHNOLOGY, ESPECIALLY ON INDUSTRIAL PLANTS. AUTOMOBILES, STEEL PIPES, AND SOME ELECTRICAL EQUIPMENT ARE DOING WELL BECAUSE OF CUSTOMER ACCEPTANCE.

6. THE CANADIAN MARKET HAS REMAINED SLUGGISH FOR MOST JAPANESE PRODUCTS THE REPORT SAYS, BECAUSE OF THE SLACK ECONOMIC SITUATION THERE. SOME PRODUCTS, E.G. COLOR TV'S, STEEL AND AUTOMOBILES, ARE DOING WELL DESPITE PRICE INCREASES.

7. IN EUROPE, JAPANESE SALES PERFORMANCE HAS BEEN MIXED DEPENDING ON THE LOCAL MARKET AND PRICE LEVELS. MACHINE TOOLS, OFFICE EQUIPMENT, AND SEWING MACHINES, FOR EXAMPLE, HAVE HELD THEIR MARKET SHARE IN GERMANY. JAPANESE EXPORTERS TO ITALY HAVE SEEN THEIR PRICES INCREASE ABOUT 30 PCT OVER LOCAL PRODUCTS AND ARE WORRIED ABOUT SALES LOSSES THERE. AUTOMOBILE EXPORTERS TO EUROPE ARE MORE WORRIED ABOUT POSSIBLE NEW IMPORT RESTRICTIONS THAN THE EFFECTS OF YEN APPRECIATION ON THEIR SALES. TV SALES TO

EUROPE LAG BEHIND LAST YEAR'S QUANTITIES AND THE OUTLOOK
FOR THIS YEAR IS POOR.

8. COMMENT. THE APPROACH OF THIS SURVEY IS QUITE
SUBJECTIVE. NEVERTHELESS, THE PROBLEMS OF SOME INDUSTRIES
SUCH AS TEXTILES AND SHIPS HAVE BECOME INCREASINGLY SERIOUS
BECAUSE OF EXCHANGE RATE DEVELOPMENTS AND OTHER FACTORS.
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